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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FTC-01 JUSE-00 CIAE-00 DODE-00
INR-07 NSAE-00 PA-02 USIA-15 PRS-01 SP-02 L-03
H-02 PM-05 AID-05 CEA-01 COME-00 EB-08 FRB-01
STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
OES-07 NRC-07 ERDA-07 ACDA-10 /127 W
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R 011712Z AUG 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6707

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E.O. 11652: N/A
TAGS: ETRD, UK, US
SUBJECT: ANTITRUST: URANIUM PRODUCERS' CARTEL -- PRESS COMMENT

REF: LONDON 12612

1. THE FOLLOWING IS THE TEXT OF AN ARTICLE THAT APPEARS IN THE LONDON TIMES OF AUGUST 1:

"THE BRITISH GOVERNMENT DONNED THE MANTLE OF THE SEVENTH CAVALRY LAST WEEK TO COME TO THE AID OF THE BE-LEAGURED RIO TINTO-ZINC WHICH WAS BEING SOMEWHAT HARD-PRESSED BY WESTINGHOUSE ELECTRIC CORPORATION.

IF THE TARDINESS OF THE GOVERNMENT'S ACTION INDI-CATED THAT THE TROOPS HAD TO RUN ABOUT TRYING TO CATCH THEIR HORSES FIRST, THE CHARGE WAS NEVERTHELESS EFFEC-TIVE AND RTZ EXECUTIVES WERE RELIEVED - AT LEAST TEMPOR-ARILY - OF HAVING TO GIVE EVIDENCE ON THE COMPANY'S ALLEGED INVOLVEMENT IN THE INTERNATIONAL URANIUM CARTEL.

THE SURPRISE OF THE INTERVENTION WAS NOT THAT IT
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HAPPENED BUT THAT IT TOOK THE GOVERNMENT SO LONG TO GET ROUND TO IT. ADMITTEDLY, RTZ WAS APPARENTLY RATHER SLOW IN ATTEMPTING TO ENLIST THE SUPPORT OF THE POLITICIANS AND WHITEHALL WHILE THE LENGTHS TO WHICH WESTINGHOUSE WAS PREPARED TO GO AND THE INTRICATE LEGAL PATHS IT FOUND CAUGHT NOT A FEW PEOPLE ON THE HOP.

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PART OF THE GOVERNMENT'S CASE RESTED ON CONCERN AT THE WAY THE UNITED STATES GOVERNMENT WAS USING THE HAGUE CONVENTION, 1968. BUT BY FAR THE MOST INTRIGUING ASPECT WAS THE "DIPLOMATIC REPRESENTATIONS" MADE TO THE BRITISH GOVERNMENT BY THE GOVERNMENTS OF AUSTRALIA, CANADA, FRANCE AND SOUTH AFRICA.

THE FOUR GOVERNMENTS HAD BEEN INVOLVED IN THE AFFAIRS OF THE URANIUM PRODUCERS' CLUB AND HAVE CLAMPED DOWN TOTALLY ON ALL INFORMATION RELATING TO IT. CANADA - WHICH HAS MADE NO SECRET OF ITS ANNOYANCE WITH THE ATTEMPTS OF BOTH WESTINGHOUSE AND THE UNITED STATES GRAND JURY INVESTIGATING THE CARTEL TO OBTAIN EVIDENCE OF ITS INVOLVEMENT - AND AUSTRALIA PASSED LAWS PREVENTING THE DISCLOSURE OF ANY SENSITIVE INFORMATION.

SOUTH AFRICA DID NOT NEED TO TAKE SUCH ACTION SINCE STRINGENT SECURITY LAWS COVERING URANIUM ALREADY EXIST. THE FRENCH ORGANIZATION IMPLICATED IN THE CARTEL'S ACTIVITIES IS A QUASI-GOVERNMENT BODY AND WE ALL KNOW WHAT THE FRENCH THINK ABOUT AMERICAN INTERFERENCE IN THEIR AFFAIRS.

THE ARGUMENT PRESENTED BEFORE THE LAW LORDS BY MR. PETER ARCHER, THE SOLICITOR GENERAL, WAS THAT CERTAIN UNNAMED BUT FRIENDLY COUNTRIES "WOULD FEEL EMBARRASSED UNCLASSIFIED

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IF THIS EVIDENCE WERE GIVEN" AND HOPED THAT BRITAIN WOULD TAKE STEPS TO ENSURE THAT THEY WERE NOT SO EMBARRASSED.

NO DOUBT THE FOREIGN OFFICE AND THE DEPARTMENT OF TRADE ARE HOPING THAT THE HOUSE OF LORDS WILL RULE IN OCTOBER THAT THE RTZ EXECUTIVES ARE NOT OBLIGED TO ATTEND THE UNITED STATES COURT HEARING AND THUS BE SAVED THE PROBLEM OF TRYING TO ANSWER QUESTIONS WITHOUT ACTUALLY GIVING ANYTHING AWAY. THAT WOULD ENABLE THE GOVERNMENT TO HIDE BEHIND THE RULE OF LAW WITHOUT APPARENTLY TAKING SIDES AND RUNNING THE RISK OF UPSETTING THE AMERICANS.

HOWEVER, THERE IS A GROWING BELIEF THAT IF THE HOUSE RULES IN FAVOUR OF WESTINGHOUSE AND IF RTZ IS UNABLE TO FIND ANY OTHER PROTECTION, THE GOVERNMENT WILL RELUCTANTLY FIND A REASON FOR ORDERING THE RTZ EXECUTIVES NOT TO GIVE EVIDENCE.

UPSETTING THE AMERICANS MIGHT BE AN UNPLEASANT

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THOUGHT FOR THE PRESENT ADMINISTRATION, BUT ANNOYING SUCH IMPORTANT URANIUM PRODUCERS AS CANADA, SOUTH AFRICA AND AUSTRALIA AS WELL AS OUR COMMUNITY COLLEAGUES MIGHT BE EVEN MORE UNDIPLOMATIC.

PARTICULARLY NOW THAT RTZ HAS WON A RESPITE. ITS MANY FRIENDS IN THE CITY ARE SUGGESTING THAT NOW IS THE TIME TO BUY THE SHARES ALTHOUGH THAT HAS NOT PRODUCED A SPATE OF INTEREST. HOWEVER, THE GROUP IS BY NO MEANS OUT OF THE WOOD. WHILE THE GROUP AND THE NAMED SUB-SIDIARIES ALL DENY LIABILITY, THE JURISDICTION OF THE AMERICAN COURTS, THE COMPANIES STILL FACE THE ILLINOIS ACTION BROUGHT BY WESTINGHOUSE.

GIVEN THE LEGAL PRECEDENTS THAT HAVE ALREADY BEEN ESTABLISHED IN THE WHOLE WESTINGHOUSE URANIUM LITIGA-TION AND THE FIELD DAY WHICH THE LAWYERS SEEM TO BE HAVING, IT WOULD BE IDLE TO SPECULATE ON THE FUTURE COURSE OF THE WHOLE LITIGATION.

NEVERTHELESS, THE POSSIBILITY OF AN ADVERSE JUDGMENT
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IN THE UNITED STATES CANNOT BE RULED OUT AND IT IS ALTOGETHER TOO FACILE TO SAY THAT IN THE WORST EVENTUALITY THE MAXIMUM LIABILITY WOULD BE THE ASSETS OF THE TWO NAMED UNITED STATES DOMICILED SUBSIDIARIES, SINCE RTZ HAS OTHER AND FAR MORE VALUABLE ASSETS IN AMERICA.

THEREFORE THE EVENTS OF LAST WEEK ARE NOT A MAJOR BULL FACTOR FOR RTZ ALTHOUGH THEY DO RELIEVE THE PRESSURE SOMEWHAT AND SHOULD ALLOW RTZ'S EXECUTIVES TO DEVOTE MORE TIME TO THE RUNNING OF THE COMPANY RATHER THAN HAVING TO PLOT LEGAL STRATEGIES.

AGAINST THAT, THE WESTINGHOUSE SAGA IS NOT GOING TO END OVERNIGHT - THE UTILITIES' CASE, WHICH IS DUE TO BEGIN NEXT MONTH IS EXPECTED TO LAST SIX MONTHS - AND WILL BE CONSTANTLY DOGGING RTZ UNLESS THERE IS AN OUT OF COURT SETTLEMENT.

IN FACT AN OUT OF COURT SETTLEMENT IS WHAT A LOT OF PEOPLE HOPE WILL HAPPEN TO BRING THIS SORRY AFFAIR TO AN END."

2. THE FINANCIAL TIMES ALSO COMMENTED ON THIS CASE IN ITS ISSUE OF AUGUST 1, AS FOLLOWS:

"ANOTHER BATTLE AMONG GIANT CORPORATIONS WILL BE FOUGHT OUT WHEN THE DIRECTORS OF RTZ GO TO THE HOUSE OF LORDS IN OCTOBER TO TRY TO RESIST THE ATTEMPT OF THE AMERICAN COURTS TO GET THEM TO GIVE EVIDENCE IN AMERICAN LITIGATION, IN THE COURSE OF WHICH THEY MIGHT INCRIMINATE THEMSELVES. AT THE LAST MOMENT, RTZ SEEMED TO HAVE GAINED THE SUPPORT OF THE BRITISH GOVERNMENT, REPRESENTED BY THE SOLICITOR-GENERAL, BEFORE THE LAW LORDS
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LAST WEEK. THAT INTERVENTION WAS ENOUGH FOR THE LORDS TO ORDER THE POSTPONEMENT OF THE TAKING OF EVIDENCE UNTIL THE APPEAL IS HEARD IN OCTOBER."

3. THE FINANCIAL TIMES ARTICLE ALSO NOTED THAT LORD DENNING, THE PRESIDING JUDGE OF THE COURT OF APPEALS, HAD HIS JUDGMENT AGAINST THE ATTORNEY GENERAL IN THE SOUTH AFRICA POST DISPUTE REVERSED LAST WEEK BY A HOUSE OF LORDS WHICH "DID NOT PULL ITS PUNCHES". THE FINANCIAL TIMES ALSO NOTED THAT SUNDAY'S OBSERVER, IN A LONG ARTICLE DEVOTED TO LORD DENNING'S DIFFERENCES WITH THE LAW LORDS, SPECULATED ON DENNING'S RETIREMENT AFTER 35 YEARS ON THE BENCH".

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